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E.O. 12958: DECL: 04/15/2017

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SUBJECT: FROM VICTIMHOOD TO VULNERABILITY: GYURCSANY'S
EVOLVING LINE ON ENERGY SECURITY

REF: BUDAPEST 521

Classified By: P/E ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

¶1. (C) Prime Minister Gyurcsany met with Ambassador Foley for a one-on-one discussion April 16 to follow up on their recent exchange re energy security.

¶2. (S) Gyurcsany noted that he had been personally upset by the previous discussion and by the continuing focus on energy security in the public domain. He had, however, realized "after 3 marriages" that it would be "more productive to focus on progress than on blame." He emphasized his commitment to diversification but commented that Hungary's dependence on Russia is such that overt pressure from Moscow is rarely necessary. He must take a "prudent approach" in his actions and even his public statements.

¶3. (S) What he will do, he continued, is send FM Goncz to tour Central Asia later this spring to prepare for his own visit to Central Asia next year. (Note: Although he identified Azerbaijan as one destination, he was unclear regarding the other potential stops. End Note.) In the interim, he will meet with Croatian PM Sanader to discuss cooperation on the LNG pipeline, and has conferred with Ambassador Simonyi re an op-ed to help clarify GoH policy. He will also meet with the diplomatic community here to help correct "misperceptions" of Hungary's position and will move forward with plans to hold a conference on Nabucco.

¶4. (S) The PM noted his interest in speaking to President Bush in order to help correct "misunderstandings" in Washington. The Ambassador responded that discussion at that level should follow new - and positive - developments so that it will have the result we both want. (Comment: We believe that our response will buy us some time but we expect that Gyurcsany will return to the issue of a POTUS call. We will want to ensure that he has a clear and committed position in preparation for any such conversation, and to prevent the PM from claiming - as Hungarian officials are wont to do - that the US "understands" their position as a result of high-level contacts. End Comment.)

¶5. (S) Reviewing his recent trip to Moscow, Gyurcsany assured us that he has signed "no new contracts" and reported that Putin had not raised the energy issue. In response to his inquiry re the prospects for Blue Stream transiting Hungary, Putin had provided "little clarity" regarding Russian plans. (Note: Gyurcsany's advisors tell us separately that energy had been the raison d'etre for the trip but that they had found Russian thinking on Blue Stream

"not much more advanced" than planning for Nabucco. End Note.) Putin had agreed to "look into" Gyurcsany's complaint that Hungary is paying markedly higher prices for its gas, but had not responded as yet.

¶16. (S) Gyurcsany conceded that his staff had compounded the problem through its failure to move information vertically or laterally. He advised us that changes are likely in the near term. Emphasizing the value he places on our bilateral relationship, he urged us to remain in close touch with FM Goncz and Foreign and Security Policy Council chief Laszlo Valki.

¶17. (S) Comment: We believe the PM has talked himself through his initial reaction to our candid discussion of last week. That said, if he is no longer claiming victimhood he is still coming to grips with his acute vulnerability. Gyurcsany's dilemma is complicated by international media attention, which reduces his room to maneuver in Hungary and raises his exposure in Washington. He is acutely sensitive to both, and may still harbor residual feelings that the issue is more about partisan politics than strategic policy. He appealed to us repeatedly to "trust me" ... and to help quell press attention to the issue. We made clear that widespread concern about Hungary's position goes far beyond what we could create or control, and urged him to make his case on energy security as aggressively as he did in responding to the fall demonstrations. (Note: Whatever the PM's desires, press coverage will not go away: an April 17 report analyzing press coverage of the issue concludes that the media has been slanted toward Blue Stream, missing key facts regarding Nabucco financing and shying away from hard questions regarding the disparity between the GoH and EU positions. End Note.) The good news is that Gyurcsany is moving, and that the steps he proposed are encouraging. It is vital that

we continue to provide him with information so that the government makes informed decisions. It will also be crucial that Gyurcsany see tangible progress from Azerbaijan and others to warrant more dramatic steps. End Comment.

FOLEY